

STATE OF NEVADA

GAMING CONTROL BOARD



MINIMUM INTERNAL CONTROL STANDARDS

Note: When adopted in 1997, these standards applied to both Group I and Group II licensees. In February 2000, the Nevada Gaming Commission amended the definition of “Group II licensee” and revised Regulation 6.090 to require that Group II licensees (i.e., redefined as those licensees with annual gross gaming revenues of less than \$3 million) follow Internal Control Procedures rather than the Minimum Internal Control Standards. Therefore, although these standards make numerous references to Group II licensees, these standards no longer apply to such licensees – they only apply to those licensees with annual gross gaming revenues of \$3 million or more. References to Group II licensees will be deleted with the next formal revision of the Minimum Internal Control Standards.

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PARI-MUTUEL WAGERING

Note 1: For any Board-authorized computer applications, alternate documentation and/or procedures which provide at least the level of control described by these standards will be acceptable.

Note 2: The term "SAM" as used in these standards refers to a "screen activated machine".

Betting Ticket and Equipment Standards

1. All pari-mutuel wagers must be transacted through the pari-mutuel system. In case of computer failure between the pari-mutuel book and the hub, no tickets may be manually written.
2. Whenever a betting station is opened for wagering or turned over to a new writer/cashier, the writer/cashier signs on and the computer documents casino name, station number, the writer/cashier identifier, and the date and time.
3. A betting ticket consists of at least three parts:
 - a. An original which is transacted and issued through a printer and given to the patron.
 - b. A copy which is recorded concurrently with the generation of the original ticket either on paper or other storage media (e.g., tape or diskette).
 - c. A restricted copy which is not accessible to book employees.
4. Upon accepting a wager, the betting ticket which is created contains the following:
 - a. An alpha-numeric ticket number.
 - b. Casino name and station number.
 - c. Race track, race number, horse identification or event identification, as applicable.
 - d. Type of bet(s), each bet amount, total number of bets, and total take.
 - e. Date and time.
5. If a book voids a betting ticket then:
 - a. A void designation is immediately branded by the computer on the ticket.
 - b. A ticket can be voided manually by inputting the ticket sequence number and immediately writing/stamping a void designation on the original ticket.

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- c. All voids are signed by the writer/cashier and the supervisor at the time of the void.
 - d. Not-in-computer voids are either prohibited or, if not-in-computer voids are permitted, no adjustment to gross revenue may be made.
6. Future wagers are accepted and processed in the same manner as regular wagers.

Payout Standards

- 7. Prior to making payment on a ticket the writer/cashier inputs the ticket for verification and payment authorization.
- 8. The system brands the ticket with a paid designation, the amount of payment and date, or if a writer/cashier manually inputs the ticket sequence number into the computer, the writer/cashier immediately date stamps and writes/stamps a paid designation on the patron's ticket.
- 9. The computer is incapable of authorizing payment on a ticket which has been previously paid, a voided ticket, a losing ticket, or an unissued ticket.
- 10. In case of computer failure, tickets may be paid. In those instances where system failure has occurred and tickets are manually paid, a log will be maintained which includes:
 - a. Date and time of system failure.
 - b. Reason for failure.
 - c. Date and time system restored.
- 11. All manually paid tickets are entered into the computer system as soon as possible to verify the accuracy of the payout (this does not apply to purged, unpaid winning tickets). All manually paid tickets must be regraded as part of the end-of-day audit process should the computer system be inoperative.

Checkout Standards

- 12. Whenever the betting station is closed or the writer/cashier is replaced, the writer/cashier signs off and the computer documents the casino name, station number, the writer/cashier identifier, the date and time, and cash balance.
- 13. For each writer/cashier station a summary report is completed at the conclusion of each shift including:
 - a. Computation of cash turned in for the shift.
 - b. Signatures of two employees who have verified the cash turned in for the shift.

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Employee Segregation

14. Pari-mutuel book employees are prohibited from wagering on race/sporting events while on duty, including during break periods. (Pari-mutuel race book employees are not prohibited from placing wagers from the customer area in the sports pool, and pari-mutuel sports book employees are not prohibited from placing wagers from the customer area in the race book.)

Computer Reports

15. Adequate documentation of all pertinent pari-mutuel information is generated by the computer system.

16. This documentation is restricted to authorized personnel.

17. The documentation is created daily and includes, at a minimum:

- a. Ticket/voucher number.
- b. Date/time of transaction.
- c. Type of wager.
- d. Horse identification or event identification.
- e. Amount of wagers (by ticket, writer/SAM, track/event, and total).
- f. Amount of payouts (by ticket, writer/SAM, track/event, and total).
- g. Tickets refunded (by ticket, writer, track/event, and total).
- h. Unpaid winners/vouchers ("outs") (by ticket/voucher, track/event, and total).
- i. Voucher sales/payments (by ticket, writer/SAM, and track/event).
- j. Voids (by ticket, writer, and total).
- k. Future wagers (by ticket, date of event, total by day, and total at the time of revenue recognition).
- l. Results (winners and payout data).
- m. Breakage data (by race and track/event).
- n. Commission data (by race and track/event).
- o. Purged data (by ticket and total).

18. The system generates the following reports:

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- a. A daily reconciliation report that summarizes totals by track/event, including write, today's winning ticket total, total commission and breakage due the licensee, and net funds transferred to or from the licensee's bank account.
- b. An exception report that contains a listing of all system functions and overrides not involved in the actual writing or cashing of tickets, including sign-on/offers, voids, and manually input paid tickets.
- c. A purged ticket report that contains a listing of ticket numbers, description, ticket cost and value, and date purged.

Accounting and Auditing Functions

- 19. The pari-mutuel audit is conducted by someone independent of the race, sports, and pari-mutuel operations.
- 20. Documentation is maintained evidencing the performance of all pari-mutuel accounting and auditing procedures.
- 21. An accounting employee examines the daily reconciliation report, compares it to the revenue summary produced by the system, and recalculates the net amount due to or from the systems operator. An accounting employee reconciles transfers with the bank statements on a monthly basis.
- 22. The auditor verifies daily cash turn-in by comparing actual cash turned in to cash turn-in per pari-mutuel reports.
Note: Beginning balance, (+) fills (draws), (+) net write (sold less voids), (-) payouts (net of IRS withholding), (-) moneybacks (pays), (=) cash turn-in.
- 23. For one track/event per day, the auditor verifies commissions per the daily reconciliation report by recalculating track/event commissions.
- 24. For the track/event selected above, the auditor will verify daily transfers due to/from the systems operator by recalculating the deposits.
Note: Net sales, (+) negative breakage, (-) commissions, (-) positive breakage, (-) accrual pays, (=) deposit.

- 25. An accounting employee produces a gross revenue recap report to calculate gross revenue on a daily and month-to-date basis, including the following totals:

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- a. Commission.
 - b. Positive breakage.
 - c. Negative breakage.
 - d. Track/event fees.
 - e. Track/event fee rebates.
 - f. Purged tickets.
26. Track/event fees and track/event fee rebates are traced to the invoices received from the systems operator.
27. All winning tickets and vouchers from the SAM's are removed on a daily basis by an accounting employee.
28. SAM's winning tickets and vouchers are immediately delivered to the accounting department.
29. The auditor performs the following procedures:
- a. For one SAM per day, foot the winning tickets and vouchers deposited and trace to the totals of SAM activity produced by the system.
 - b. Foot the listing of cashed vouchers and trace to the totals produced by the system.
 - c. Review all exceptions for propriety of transactions and unusual occurrences.
 - d. Review all voids for propriety.
 - e. For one day per week, verify the results as produced by the system to the results provided by the wire service.
 - f. For one day per week, regrade 1% of paid (cash) tickets to ensure accuracy and propriety.
 - g. When applicable, reconcile the daily totals of future tickets written to the totals produced by the system for both unearned and earned take, and review the reports to ascertain that future wagers are properly included on the day of the event.
30. At least annually the auditor will perform the following:
- a. Foot the wagers for one day and trace to the total produced by the system.

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- b. Foot the customer copy of paid tickets for one day and trace to the total produced by the system.
31. At least one day per quarter, the auditor will recalculate and verify the change in the unpaid winners to the total purged tickets.